

TOWN OF GRAFTON, MASSACHUSETTS

**REPORT ON THE EXAMINATION
OF BASIC FINANCIAL STATEMENTS**

FISCAL YEAR ENDED JUNE 30, 2012

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Grafton, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Grafton, Massachusetts, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Grafton, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Grafton, Massachusetts, as of June 30, 2012, and the respective changes in financial position, and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2013, on our consideration of the Town of Grafton, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Government Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of

management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Grafton, Massachusetts' financial statements as a whole. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


Scanlon & Associates, LLC
South Deerfield, Massachusetts

February 8, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Grafton, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012.

Financial Highlights

- The Town's assets exceeded its liabilities by \$92,088,498 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$72,113,205 an increase of \$19,975,293 (28%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$23,767,804, a decrease of \$4,321,207 (15%) in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,980,818 or 15% of general fund revenues and other financing sources and 15% of general fund expenditures and other financing uses.
- Total liabilities of the Town increased by \$6,638,530 (11%) to \$68,153,673 during the fiscal year. This net change resulted from a net decrease in current liabilities of \$8,974,997 (the major component of which was a decrease in bond anticipation notes of \$10,000,000) and an increase in noncurrent liabilities of \$15,613,527 (the major components of which were an increase in the OPEB liability of \$2,338,728 and an increase in bonds payable of \$13,285,759.)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Grafton's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activity includes the sewer activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Grafton adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its sewer activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Highlights

Statement of Net Assets Highlights

	Governmental Activities		
	2012	2011	Change
Assets:			
Current assets	\$ 33,101,536	\$ 46,987,140	\$ (13,885,604)
Capital assets	111,188,666	70,264,668	40,923,998
Total assets	144,290,202	117,251,808	27,038,394
Liabilities:			
Current liabilities (excluding debt)	8,750,528	8,300,305	450,223
Noncurrent liabilities (excluding debt)	3,024,241	14,255,481	(11,231,240)
Current debt	16,554,228	12,449,241	4,104,987
Noncurrent debt	38,634,307	25,008,548	13,625,759
Total liabilities	66,963,304	60,013,575	6,949,729
Net Assets:			
Capital assets net of related debt	69,563,666	51,785,625	17,778,041
Restricted	13,942,918	8,956,090	4,986,828
Unrestricted	(6,179,686)	(3,503,482)	(2,676,204)
Total net assets	\$ 77,326,898	\$ 57,238,233	\$ 20,088,665

	Business-Type Activities		
	2012	2011	Change
Assets:			
Current assets	\$ 2,752,836	\$ 2,741,221	\$ 11,615
Noncurrent assets (excluding capital assets)	957,942	1,130,342	(172,400)
Capital assets	12,241,191	12,504,977	(263,786)
Total assets	15,951,969	16,376,540	(424,571)
Liabilities:			
Current liabilities (excluding debt)	116,941	112,161	4,780
Noncurrent liabilities (excluding debt)	253,428	224,407	29,021
Current debt	340,000	345,000	(5,000)
Noncurrent debt	480,000	820,000	(340,000)
Total liabilities	1,190,369	1,501,568	(311,199)
Net Assets:			
Capital assets net of related debt	11,421,191	11,339,977	81,214
Restricted	1,607,166	2,047,000	(439,834)
Unrestricted	1,733,243	1,487,995	245,248
Total net assets	\$ 14,761,600	\$ 14,874,972	\$ (113,372)

Statement of Activities Highlights

	Governmental Activities		
	2012	2011	Change
Program Revenues:			
Charges for services	2,727,587	2,968,048	(240,461)
Operating grants and contributions	15,529,331	15,366,782	162,549
Capital grants and contributions	20,011,091	11,348,785	8,662,306
General Revenues:			
Property taxes	29,939,413	28,456,041	1,483,372
Motor vehicle excise and other taxes	2,160,289	2,132,876	27,413
Penalties and interest on taxes	106,988	118,511	(11,523)
Nonrestricted grants	2,211,453	1,808,461	402,992
Unrestricted investment income	156,430	155,910	520
Miscellaneous	4,430	11,433	(7,003)
Total revenues	72,847,012	62,366,847	10,480,165
Expenses:			
General government	4,102,813	2,608,562	1,494,251
Public safety	3,440,888	3,344,327	96,561
Public works	2,890,675	3,001,412	(110,737)
Education	27,983,605	27,899,190	84,415
Health and human services	473,614	454,895	18,719
Culture and recreation	903,052	1,088,052	(185,000)
Employee benefits and insurance	10,983,268	10,460,847	522,421
State assessments	803,045	688,987	114,058
Interest	1,318,662	798,054	520,608
Total expenses	52,899,622	50,344,326	2,555,296
Contributions to permanent funds	16,275	21,125	(4,850)
Transfers	125,000	100,000	25,000
Change in net assets	20,088,665	12,143,646	7,945,019
Net assets - beginning of year	57,238,233	45,094,587	12,143,646
Net assets - end of year	\$ 77,326,898	\$ 57,238,233	\$ 20,088,665

	Business-Type Activities		
	2012	2011	Change
Program Revenues:			
Charges for services	\$ 1,330,669	\$ 1,206,570	\$ 124,099
Operating grants and contributions	-	12,246	(12,246)
	1,330,669	1,218,816	111,853
General Revenues:			
Unrestricted investment income	42,915	49,924	(7,009)
Total revenues	1,373,584	1,268,740	104,844
Expenses:			
Sewer	1,361,956	1,396,537	(34,581)
Total expenses	1,361,956	1,396,537	(34,581)
Transfers	(125,000)	(100,000)	(25,000)
Change in net assets	(113,372)	(227,797)	114,425
Net assets - beginning of year	14,874,972	15,102,769	(227,797)
Net assets - end of year	\$ 14,761,600	\$ 14,874,972	\$ (113,372)

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$92,088,498 at the close of FY 2012.

Net assets of \$80,984,857 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets \$15,550,084 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$4,446,443) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in two of the categories of net assets, with the exception of the unrestricted governmental activities

The unrestricted governmental activities resulted in a negative balance of \$4,446,443 as a result of the accrual of the OPEB liability obligation that is required under GASB No. 45 to be accrued. The liability for OPEB as presented on the statement of net assets for the governmental activities is \$10,015,462.

The governmental activities net assets increased by \$20,088,665 during the current fiscal year, which reflects the general fund's results of operation. This was attributed to revenues exceeding expenditures by \$19,947,390 (the major component being a capital grant for the new school building from the Massachusetts Building Authority), contributions to permanent funds of \$16,275 and transfers from the business-type activities of \$125,000.

There was a decrease of \$113,372 in net assets reported in connection with the sewer business-type activities. This was attributed to current operational costs exceeding the current operational revenues by \$45,737, investment income of \$42,915, assessments of \$52,263, interest expense of \$37,813 and transfers to the general fund of \$125,000.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, the general fund *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$23,767,804 a decrease of \$4,321,207 (15%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance - \$656,844 (3%)
- Restricted fund balance - \$12,163,755 (51%)
- Committed fund balance - \$2,492,863 (11%)
- Assigned fund balance - \$1,473,524 (6%)
- Unassigned fund balance - \$6,980,818 (29%)

Major Governmental Funds

At the end of the fiscal year, the General Fund reported a total fund balance of \$12,139,878 increasing \$154,844 (1%) from the prior year. Of the \$12,139,878, the unassigned amount is \$6,980,818, the assigned amount is \$1,473,524, the committed amount is \$2,492,863 and the restricted amount is \$1,192,673. General fund revenues were \$1,143,776 (3%) more than the prior fiscal year and expenditures increased by \$2,984,546 (7%). Other activity in the General Fund were net transfers to the nonmajor governmental funds of \$465,771, a transfer of \$77,776 from the community preservation fund, a transfer from the sewer business-type activity of \$125,000 and a premium on bonds of \$840,208.

There were no increases in general fund revenues of over 10% as compared to the prior year.

There was a decrease in general fund revenues of over 10% as compared to the prior year were as follows:

- Licenses, permits and fees \$118,017 (10%) This was partially attributed to a decrease in building permits and board of appeals fees.

Increases of 10% or more in general fund expenditures as compared to the prior year were as follows:

- General government \$386,143 (16%)
- Public safety \$407,986 (15%)
- State assessments \$114,058 (17%)
- Principal on debt service \$245,000 (11%)
- Interest on debt service \$634,469 (107%)

Increases in debt service was attributed to the issuance of bonds for the new high school

The *Community Preservation Fund* has accumulated a fund balance of \$667,966. The fund is for the accumulation of resources generated from a surcharge levy on its real estate property tax and the receipt of state matching funds for the acquisition, creation, preservation, rehabilitation and restriction of open space, historic resources and affordable housing.

The fund balance of the community preservation fund decreased by \$644,425. Of this amount \$7,975 was attributed to investment income, \$302,531 in surcharge levies on its real property, \$75,210 in grants, \$952,365 in expenses and transfers to the nonmajor governmental funds of \$77,776.

The *High School Construction Fund* has accumulated a fund balance of \$5,752,450. The fund is used to account for financial resources to construct a new high school.

The fund balance of the high school construction fund decreased by \$3,188,507. This amount was attributed to a grant from the Massachusetts School Building Authority of \$18,342,768, expenditures of \$38,181,275 and \$16,650,000 in proceeds from issuance of bonds.

Proprietary funds. The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Fund

The *Sewer Fund* is the financing and operations of the Town's sewer system. The sewer fund shows a decrease of \$113,372 attributed to operating costs exceeding operating revenues by \$45,737, special assessments revenue of \$52,263, interest income of \$42,915, interest expense of \$37,813 and transfers to the general fund of \$125,000. Operating revenues increased by \$128,156 (11%) while operating expenses decreased by \$40,874 (3%) from the prior year. Net assets decreased by \$113,372 (1%).

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2012 was \$47,666,756. This was an increase of \$3,377,113 (8%) over the previous year's budget.

There was an increase of \$1,131,146 between the original budget and the final amended budget.

The change is attributed to the Town amending specific budget line items of the final budget as follows:

- General government was increased \$1,030,907.
- Public safety was increased \$68,381.
- Public works was increased \$3,324.
- Education was increased \$435,489.
- Health and human services was increased \$5,000.
- Employee benefits and insurance was decreased \$411,955.

Of the \$3,862,684 in under budget expenditures \$3,010,704 has been carried over to fiscal year 2013.

There are negative variances in property taxes, intergovernmental and investment income of \$97,876, 19,762, and \$3,045, respectively. The negative variances were attributed to; in property taxes as a result of a drop in collections; in intergovernmental as a result of less funds received for charter tuition and exemptions for veterans, blind and surviving spouses; in investment income result from a drop in interest rates.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to \$111,188,666 and \$12,241,191, respectively.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds included the following:

- Police and fire vehicles for \$449,135.
- Department of public works vehicles and equipment for \$169,475.
- Highway garage drainage connection for \$39,900.
- Grafton High School for \$38,181,275.
- Purchase of land for the library for \$787,876.
- Grafton town house improvements for \$407,270.
- Road and sidewalk reclaiming and resurfacing for \$988,417.
- Elementary and middle school improvements for \$457,183.

Major capital events in the business-type funds included the following:

- Sewer main improvements for \$72,876.
- Sewer vehicle for \$55,820.

Debt. The Town's outstanding governmental debt as of June 30, 2012 totaled \$41,658,548 consisting of the Grafton Elementary School for \$475,000, the fire/police station for \$1,150,000, the fire station for \$3,850,000, the Title V septic repair program for \$33,548, school modular classrooms for \$525,000, the new high school for \$34,650,000 and land acquisition for \$975,000.

The business-type fund has \$820,000 in sewer debt.

Please refer to notes 3C, 3E and 3F for further discussion of the major capital assets and debt activity.

Next Year's Annual Town Meeting

The Town of Grafton operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2013 do not reflect the fiscal year 2013 Town Meeting action. The Annual Town Meeting on May 12, 2012 authorized a fiscal year 2013 operating and capital budget as follows:

From the tax levy	\$ 44,616,555
From sewer receipts	1,086,163
From sewer betterments	370,307
From community preservation	500,000
From sewer appropriations	181,225
From other Available Funds:	
Free cash	705,683
Overlay surplus	250,000
	<u>\$ 47,709,933</u>

Requests for Information

This financial report is designed to provide a general overview of the Town of Grafton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, 30 Providence Road Grafton, Massachusetts.

BASIC FINANCIAL STATEMENTS

TOWN OF GRAFTON, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 21,832,409	\$ 259,459	\$ 22,091,868
Investments	6,344,934	2,187,124	8,532,058
Receivables, net of allowance for uncollectibles:			
Property Taxes	290,362	-	290,362
Deferred Property Taxes	13,082	-	13,082
Tax Liens	961,030	-	961,030
Excise Taxes	239,880	-	239,880
Departmental	26,339	-	26,339
User Charges	-	191,218	191,218
Special Assessments	3,973	115,035	119,008
Due from Other Governments	3,386,123	-	3,386,123
Total current assets	33,101,536	2,752,836	35,854,372
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special Assessments	-	957,942	957,942
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	78,270,594	392,500	78,663,094
Depreciable	32,918,072	11,848,691	44,766,763
Total noncurrent assets	111,188,666	13,199,133	124,387,799
Total Assets	144,290,202	15,951,969	160,242,171
LIABILITIES			
CURRENT:			
Warrants and Accounts Payable	2,981,710	70,075	3,051,785
Accrued Payroll	521,413	13,982	535,395
Retainage Payable	2,543,152	-	2,543,152
Payroll Withholdings	316,129	-	316,129
Tax Refund Payable	309,000	-	309,000
Accrued Interest	301,182	9,041	310,223
Other	103,737	-	103,737
Compensated Absences	1,674,205	23,843	1,698,048
Bonds Payable	3,024,241	340,000	3,364,241
Total current liabilities	11,774,769	456,941	12,231,710
NONCURRENT:			
Compensated Absences	6,696,821	95,373	6,792,194
OPEB Obligation Payable	9,857,407	158,055	10,015,462
Bonds Payable	38,634,307	480,000	39,114,307
Total noncurrent liabilities	55,188,535	733,428	55,921,963
Total Liabilities	66,963,304	1,190,369	68,153,673
NET ASSETS:			
Invested in Capital Assets, net of related debt	69,563,666	11,421,191	80,984,857
Restricted for:			
Capital Projects	6,186,289	-	6,186,289
Federal & State Grants	1,808,616	-	1,808,616
Community Preservation	667,966	-	667,966
Permanent Funds:			
Nonexpendable	434,208	-	434,208
Expendable	656,844	-	656,844
Other Purposes	4,188,995	1,607,166	5,796,161
Unrestricted	(6,179,686)	1,733,243	(4,446,443)
Total Net Assets	\$ 77,326,898	\$ 14,761,600	\$ 92,088,498

The Notes to the Financial Statements are an integral part of this Statement.

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**TOWN OF GRAFTON, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Fund	Community Preservation Fund	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 9,666,531	\$ -	\$ 9,331,015	\$ 2,834,863	\$ 21,832,409
Investments	4,065,831	668,721	-	1,610,382	6,344,934
Receivables, net of allowance for uncollectibles:					
Property Taxes	286,614	3,748	-	-	290,362
Deferred Property Taxes	13,082	-	-	-	13,082
Tax Liens	961,030	-	-	-	961,030
Excise Taxes	239,880	-	-	-	239,880
Departmental	1,548	-	-	24,791	26,339
Special Assessments	-	-	-	3,973	3,973
Due from Other Governments	138,950	-	1,240,174	2,006,999	3,386,123
Other	3,397	7	-	-	3,404
Total Assets	\$ 15,376,863	\$ 672,476	\$ 10,571,189	\$ 6,481,008	\$ 33,101,536
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Warrants and Accounts Payable	\$ 618,324	\$ 762	\$ 2,275,587	\$ 87,037	\$ 2,981,710
Accrued Payroll	490,819	-	-	30,594	521,413
Retainage Payable	-	-	2,543,152	-	2,543,152
Payroll Withholdings	316,129	-	-	-	316,129
Tax Refund Payable	309,000	-	-	-	309,000
Other	103,737	-	-	-	103,737
Deferred Revenue:					
Property Taxes	162,614	3,748	-	-	166,362
Other	1,236,362	-	-	1,155,867	2,392,229
Total Liabilities	3,236,985	4,510	4,818,739	1,273,498	9,333,732
Fund Balance:					
Nonspendable	-	-	-	656,844	656,844
Restricted	1,192,673	667,966	5,752,450	4,550,666	12,163,755
Committed	2,492,863	-	-	-	2,492,863
Assigned	1,473,524	-	-	-	1,473,524
Unassigned	6,980,818	-	-	-	6,980,818
Total Fund Balance	12,139,878	667,966	5,752,450	5,207,510	23,767,804
Total Liabilities and Fund Balance	\$ 15,376,863	\$ 672,476	\$ 10,571,189	\$ 6,481,008	\$ 33,101,536

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRAFTON, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Community Preservation Fund	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 29,466,078	\$ 302,531	\$ -	\$ -	\$ 29,768,609
Intergovernmental	10,478,191	75,210	18,342,768	3,892,149	32,788,318
Excise and Other Taxes	2,166,910	-	-	1,675	2,168,585
Charges for Services	-	-	-	1,739,733	1,739,733
Licenses, Permits, Fees	1,015,081	-	-	-	1,015,081
Interest on Taxes	106,988	-	-	-	106,988
Investment Income	148,455	7,975	-	27,743	184,173
Gifts and Donations	-	-	-	671,828	671,828
Other	-	-	-	71,008	71,008
Intergovernmental - "On-behalf" Payments	3,470,412	-	-	-	3,470,412
Total Revenues	46,852,115	385,716	18,342,768	6,404,136	71,984,735
Expenditures:					
Current:					
General Government	2,760,679	854,340	-	900,438	4,515,457
Public Safety	3,077,920	-	-	368,612	3,446,532
Public Works	2,683,795	-	-	953,358	3,637,153
Education	24,690,997	-	38,181,275	3,018,798	65,891,070
Health and Human Services	391,498	-	-	116,403	507,901
Culture and Recreation	714,452	-	-	2,007,170	2,721,622
Employee Benefits and Insurance	8,541,623	-	-	142,026	8,683,649
State Assessments	803,045	-	-	-	803,045
Debt Service:					
Principal	2,385,000	60,000	-	4,241	2,449,241
Interest	1,225,475	38,025	-	1,980	1,265,480
Total Expenditures	47,274,484	952,365	38,181,275	7,513,026	93,921,150
Excess of Revenues Over (Under) Expenditures	(422,369)	(566,649)	(19,838,507)	(1,108,890)	(21,936,415)
Other Financing Sources (Uses):					
Operating Transfers In	236,475	-	-	577,246	813,721
Operating Transfers Out	(499,470)	(77,776)	-	(111,475)	(688,721)
Premium on Bonds	840,208	-	-	-	840,208
Proceeds from Issuance of Bonds	-	-	16,650,000	-	16,650,000
Total Other Financing Sources (Uses)	577,213	(77,776)	16,650,000	465,771	17,615,208
Net Change in Fund Balances	154,844	(644,425)	(3,188,507)	(643,119)	(4,321,207)
Fund Balances, Beginning of Year	11,985,034	1,312,391	8,940,957	5,850,629	28,089,011
Fund Balances, End of Year	\$ 12,139,878	\$ 667,966	\$ 5,752,450	\$ 5,207,510	\$ 23,767,804

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRAFTON, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Assets
For the Year Ended June 30, 2012

Total Governmental Fund Balances		\$ 23,767,804
Capital Assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.		111,188,666
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		2,558,591
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds Payable	\$ (41,658,548)	
Other Post Employment Benefits Payable	(9,857,407)	
Compensated Absences	<u>(8,371,026)</u>	(59,886,981)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in the governmental funds interest is not reported until due.		<u>(301,182)</u>
Net Assets of Governmental Activities		<u><u>\$ 77,326,898</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRAFTON, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds **\$ (4,321,207)**

The Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and are reported as depreciation expense:

Capital Outlay Purchases	\$ 42,934,340	
Depreciation	<u>(2,010,342)</u>	40,923,998

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.

38,344

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:

Repayment of Debt Principal	2,449,241	
Proceeds from Issuance of Bonds	<u>(16,650,000)</u>	(14,200,759)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Net Change in Compensated Absences	1,090	
Net Change in Other Post Employment Benefits	(2,299,619)	
Net Change in Accrued Interest on Long-Term Debt	<u>(53,182)</u>	(2,351,711)

Change in Net Assets of Governmental Activities **\$ 20,088,665**

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRAFTON, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGETARY BASIS - (NON-GAAP) -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Carried</u>	<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>	<u>Basis</u>	<u>Forward</u>	<u>Positive</u>
				<u>to Next Year</u>	<u>(Negative)</u>
Revenues:					
Property Taxes	\$ 29,307,469	\$ 29,814,054	\$ 29,716,178	\$ -	\$ (97,876)
Intergovernmental	10,402,331	10,497,953	10,478,191	-	(19,762)
Excise and Other Taxes	2,087,200	2,087,200	2,166,910	-	79,710
Licenses, Permits, Fees	871,000	871,000	1,015,081	-	144,081
Interest on Taxes	100,000	100,000	106,988	-	6,988
Investment Income	100,000	100,000	96,955	-	(3,045)
Total Revenues	42,868,000	43,470,207	43,580,303	-	110,096
Expenditures:					
Current:					
General Government	3,277,412	4,308,319	2,760,679	1,307,344	240,296
Public Safety	3,148,327	3,216,708	3,077,920	61,666	77,122
Public Works	3,956,316	3,959,640	2,683,795	1,011,343	264,502
Education	24,856,596	25,292,085	24,690,997	557,775	43,313
Health and Human Services	442,493	447,493	391,498	1,082	54,913
Culture and Recreation	833,710	833,710	714,452	71,494	47,764
Employee Benefits and Insurance	5,606,913	5,194,958	5,071,211	-	123,747
State Assessments	803,367	803,367	803,045	-	322
Debt Service:					
Principal	2,385,000	2,385,000	2,385,000	-	-
Interest	1,225,476	1,225,476	1,225,475	-	1
Total Expenditures	46,535,610	47,666,756	43,804,072	3,010,704	851,980
Excess of Revenues Over					
(Under) Expenditures	(3,667,610)	(4,196,549)	(223,769)	(3,010,704)	962,076
Other Financing Sources (Uses):					
Operating Transfers In (Out)	44,000	(426,162)	(313,687)	-	112,475
Premium on Bonds	-	-	840,208	-	840,208
Total Other Financing Sources (Uses)	44,000	(426,162)	526,521	-	952,683
Excess (Deficiency) of Revenues and Other					
Financing Sources Over Expenditures and					
Other Financing Uses	(3,623,610)	(4,622,711)	302,752	(3,010,704)	1,914,759
Budgetary Fund Balance - Beginning of Year	8,435,306	8,435,306	8,435,306	-	-
Budgetary Fund Balance - End of Year	\$ 4,811,696	\$ 3,812,595	\$ 8,738,058	\$ (3,010,704)	\$ 1,914,759

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRAFTON, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2012

	<u>Revenues</u>	<u>Expenditures</u>
Reported on a Budgetary Basis	\$ 43,580,303	\$ 43,804,072
<u>Adjustments:</u>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	51,500	-
Net Decrease in Revenue from recording Refund Taxes Payable	(283,000)	-
Recognition of Intergovernmental Revenue - "on behalf payments"	3,470,412	-
Recognition of Expenditures - "on behalf payments"	-	3,470,412
Net Increase in Revenue from Recording 60-Day Receipts	32,900	-
Reported on a GAAP Basis	<u>\$ 46,852,115</u>	<u>\$ 47,274,484</u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRAFTON, MASSACHUSETTS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2012**

	Business-Type Activities Enterprise Fund
	Sewer Fund
ASSETS	
CURRENT:	
Cash and Cash Equivalents	\$ 259,459
Investments	2,187,124
User Charges, net of allowance for uncollectibles	191,218
Special Assessments	115,035
Total current assets	<u>2,752,836</u>
NONCURRENT:	
Special Assessments	957,942
Capital Assets, net of accumulated depreciation	
Nondepreciable	392,500
Depreciable	11,848,691
Total noncurrent assets	<u>13,199,133</u>
Total Assets	<u><u>15,951,969</u></u>
LIABILITIES	
CURRENT:	
Accounts Payable	70,075
Accrued Payroll	13,982
Accrued Interest	9,041
Compensated Absences	23,843
Bonds Payable	340,000
Total current liabilities	<u>456,941</u>
NONCURRENT:	
Compensated Absences	95,373
OPEB Obligation Payable	158,055
Bonds Payable	480,000
Total noncurrent liabilities	<u>733,428</u>
Total Liabilities	<u><u>1,190,369</u></u>
NET ASSETS:	
Invested in Capital Assets, net of related debt	11,421,191
Restricted for Betterments-Capital	1,607,166
Unrestricted	1,733,243
Total Net Assets	<u><u>\$ 14,761,600</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRAFTON, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

	Business-Type Activities Enterprise Fund
	Sewer Fund
Operating Revenues:	
Charges for Services	\$ 1,265,695
Other	12,711
Total Operating Revenues	1,278,406
Operating Expenses:	
Salaries & Wages	309,924
Operating Expenses	621,737
Depreciation	392,482
Total Operating Expenses	1,324,143
Operating Income (Loss)	(45,737)
Non-Operating Revenues (Expenses):	
Investment Income	42,915
Assessments	52,263
Interest Expense	(37,813)
Total Non-Operating Revenues (Expenses)	57,365
Income (Loss) Before Operating Transfers	11,628
Operating Transfers:	
Transfers (Out)	(125,000)
Total Operating Transfers	(125,000)
Change in Net Assets	(113,372)
Net Assets at Beginning of Year	14,874,972
Net Assets at End of Year	\$ 14,761,600

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRAFTON, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

	Business-Type Activities Enterprise Fund
	Sewer Fund
Cash Flows From Operating Activities:	
Receipts from Customers and Users	\$ 1,308,316
Receipts from Other Revenues	12,711
Payments to Vendors	(573,529)
Payments to Employees	(320,507)
Net Cash Provided by (Used for) Operating Activities	426,991
Cash Flows from Noncapital Financing Activities:	
Transfers from (to) Other Funds	(125,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	(125,000)
Cash Flows from Capital and Related Financing Activities:	
Assessments	221,290
Acquisition and Construction of Capital Assets	(128,696)
Principal Payments on Bonds	(345,000)
Interest Expense	(41,638)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(294,044)
Cash Flows from Investing Activities:	
Investment Income	42,915
Proceeds/(Purchase) of Investments	(45,267)
Net Cash Provided by (Used for) Investing Activities	(2,352)
Net Increase (Decrease) in Cash and Cash Equivalents	5,595
Cash and Cash Equivalents at Beginning of Year	253,864
Cash and Cash Equivalents at End of Year	\$ 259,459

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by (Used For) Operating Activities:**

Operating Income (Loss)	\$ (45,737)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	392,482
Change in Assets and Liabilities:	
Increase (Decrease) in Accounts Payable	9,099
Increase (Decrease) in Accrued Payroll	2,027
Increase (Decrease) in Compensated Absences	(12,610)
Increase (Decrease) in OPEB Obligation Payable	39,109
Decrease (Increase) in User Charges Receivable	42,621
Total Adjustments	472,728
Net Cash Provided by (Used for) Operating Activities	\$ 426,991

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRAFTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012**

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 32,609	\$ 422,899
Investments	283,268	3,100
Total Assets	315,877	425,999
LIABILITIES		
Warrants Payable	-	3,047
Due to Others	-	1,907
Due to Student Groups	-	102,183
Escrows and Deposits	-	318,862
Total Liabilities	-	425,999
NET ASSETS:		
Held in Trust for Other Purposes	\$ 315,877	\$ -

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRAFTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

	Private Purpose Trust Funds
Additions	
Contributions:	
Private Donations	\$ 5,772
Total Contributions	<u>5,772</u>
Investment Income:	
Interest & Dividends	8,185
Net Change in Fair Value of Investments	<u>(96)</u>
Total Investment Earnings	<u>8,089</u>
Total Additions	<u>13,861</u>
Deductions:	
Educational Scholarships	<u>19,025</u>
Total Deductions	<u>19,025</u>
Change in Net Assets	<u>(5,164)</u>
Net Assets at Beginning of Year	<u>321,041</u>
Net Assets at End of Year	<u><u>\$ 315,877</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Grafton, Massachusetts (the Town) was incorporated in 1735 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected five member Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2012, it was determined that no entities met the required GASB 14 and 39 criteria for component units.

The Town is responsible for electing the governing board and/or committee members of the Grafton Housing Authority, the Grafton Water District, the South Grafton Water District and the Blackstone Valley Vocational Technical Regional School District. These related organizations are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board members. Audited financial statements are available from the respective organizations. A description of the related organizations are as follows:

- **Grafton Housing Authority** - A public housing agency that provides housing assistance to eligible and qualified low and moderate income families, the elderly and handicapped. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.
- **Grafton Water District and South Grafton Water District** – Districts that provide water services to the residents of the Town. The districts are autonomous and self-sufficient units under the General Laws of the Commonwealth of Massachusetts. The Town has no significant influence over management, budget or policies of the districts.
- **Blackstone Valley Vocational Technical Regional School District** - A regional school district made up of thirteen communities to serve and provide a learning environment in specific career areas. The regional school district is a separate entity under the Commonwealth of Massachusetts. The Town elects one district committee member for its representation. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

The accompanying basic financial statements of the Town of Grafton, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

B. Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements (e.g., statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net assets and change in net assets.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

If the total assets, liabilities, revenues or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),

and

If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *community preservation fund* is a special revenue fund that is used to account for the accumulation of resources generated from a surcharge levy on its real estate property tax and the receipt of state matching funds for the acquisition, creation, preservation, rehabilitation and restriction of open space, historic resources and affordable housing.
- The *high school construction fund* is used to account for financial resources to construct a new high school.

The Town reports the following major proprietary fund:

- The *sewer fund* is used to account for the sewer activities.

Additionally, the Town reports the following fund types:

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

- *Fiduciary fund* financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government programs.
- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *agency fund* is used to account for assets held in a purely custodial capacity.

The non-major governmental fund consists of other special revenue, capital projects, and permanent funds that are aggregated and presented in the *non-major governmental funds* column on the governmental funds financial statements. The following describes the general use of these funds types:

- The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.
- The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).
- The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's enterprise funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash.

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

Investment income from proprietary funds is maintained in those funds.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U. S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

All investments are carried at fair value.

F. Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Property Taxes, Deferred Property Taxes and Tax Liens

Property taxes are based on assessments as of January 1, 2011 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as

**TOWN OF GRAFTON, MASSACHUSETTS
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receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for the fiscal year 2012 on June 30, 2011, that were due on August 1, 2011 and November 1, 2011 and actual bills on December 29, 2011 that were due on February 1, 2012 and May 1, 2012.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2012 is \$30,038,923 consisting of a base of \$26,540,332 and a debt exclusion of \$3,498,591. The total amount raised by taxation was \$30,023,901.

The allowance for uncollectible accounts is based on historical trends and specific account analysis.

Excise Taxes

Excise taxes consist of motor vehicle excise and boat excise. Excise taxes are assessed annually for each vehicle and boat registered in the Town, and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles. The Board of Assessors of the Town is responsible for determining the value of each boat.

The tax calculation is the fair value of the vehicle multiplied by the \$25 per \$1,000 of value.

The allowance for uncollectibles is based on historical trends and specific account analysis.

User Charges

User charges and fees consist of sewer that is levied based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Sewer liens are processed each year and are included as a lien on the property owner's tax bill. Sewer charges and liens are recorded as receivables in the fiscal year of the levy.

The allowance for uncollectibles is based upon historical trends and specific account analysis.

Departmental

Departmental receivables consist of police off-duty details and assessor's fees.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

Special Assessments

Special assessments consists of septic repair program betterments in the governmental activities and sewer betterments in the business-type activities

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

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Due from Other Governments

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

G. Capital Assets

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase and construction costs in excess of \$15,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

Capital Asset Type	Years
Buildings and renovations	10-40
Machinery, equipment and other	3-15
Infrastructure	20-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

H. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers net".

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

I. Deferred Revenue

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

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J. Net Assets and Fund Balances

In the Government-Wide financial statements, the difference between the Town's total assets and total liabilities represents net assets. Net assets displays three components – invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net assets represent the net assets available for future operations.

Net assets are reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been "restricted for" the following:

- "Capital projects" represents amounts restricted for capital purposes.
- "Federal and state grants" represents amounts restricted by the federal and state government for various programs.
- "Community preservation" represents amounts that are restricted for the preservation of open space, historical resources and community housing.
- Permanent funds – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.
- "Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.
- "Other purposes" represents restrictions placed on assets from outside parties.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

- *Restricted fund balance.* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.
- *Assigned fund balance.* This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to

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assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

- *Unassigned fund balance.* This fund balance is the residual classification for the General fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

K. Long-term Debt

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets.

The face amount of governmental funds long-term debt is reported as other financing sources.

L. Compensated Absences

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay.

M. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 50% to 73% share of insurance premiums for retirees, spouses and surviving spouses in the general fund in the fiscal year paid.

N. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of

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all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

- Requests for appropriation are submitted by departments to the Finance Committee.
- Finance committee meets with various departments to discuss the appropriation.
- Finance committee recommends the budget and presents the budget at the annual Town meeting.
- The budget is legally enacted by vote at the annual Town meeting.
- Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.
- Throughout the year appropriations may be transferred between departments with Town meeting approval.

Massachusetts law requires cities and towns to provide a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . . "

For fiscal year 2012, the Town incurred a final budget deficit of \$4,622,711 for the General Fund.

The Town voted from the following sources to fund the deficit budget during the fiscal year:

Unreserved fund balance:	
Free cash votes	\$ 2,486,800
Reserved for payment of debt	181,941
Prior year's encumbrances	1,953,970
	<u>\$ 4,622,711</u>

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2012 were \$23,298,747. Of these, \$2,632,572 were exposed to custodial credit risk as uninsured and uncollateralized.

TOWN OF GRAFTON, MASSACHUSETTS
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Investment Policies

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less.

As of June 30, 2012, the Town had the following investments and maturities:

Investment Type	Fair Value	(In Years)	
		Less Than 1	1 to 5
Debt Securities:			
U. S. government agencies	\$ 4,416,339	\$ -	\$ 4,416,339
Corporate bond	591,451	361,819	229,632
Money market mutual fund	539,400	539,400	-
	<u>5,547,190</u>	<u>901,219</u>	<u>4,645,971</u>
Other Investments:			
Equity mutual funds	565,926		
Equity securities - domestic	19,807		
Certificates of deposit	2,223,997		
MMDT	461,506		
	<u>\$ 8,818,426</u>		

Custodial Credit Risks

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$8,818,426 in investments none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town's exposure to credit risk as of June 30, 2012 is as follows:

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Related Debt Instruments	Fair Value	Moody's Quality Ratings			Not Rated
		Aaa	A1	A3	
Debt Securities:					
U. S. government agencies	\$ 4,416,339	\$ 4,416,339	\$ -	\$ -	\$ -
Corporate bond	591,451	-	361,820	229,631	-
Money market mutual fund	539,400	-	-	-	539,400
	<u>\$ 5,547,190</u>	<u>\$ 4,416,339</u>	<u>\$ 361,820</u>	<u>\$ 229,631</u>	<u>\$ 539,400</u>

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's investments are Federal Home Loan Mortgage Corporation, Federal Home Loan Bank and Federal National Mortgage Association amounting to 5.18%, 8.50% and 36.4%, respectively, of the Town's total investments.

B. Receivables

At June 30, 2012, receivables for the individual major governmental funds and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes including community preservation surcharge and tax liens	\$ 302,362	\$ (12,000)	\$ 290,362
Deferred property taxes	13,082	-	13,082
Tax liens	961,030	-	961,030
Excise taxes	310,580	(70,700)	239,880
Departmental	26,339	-	26,339
Special assessments	3,973	-	3,973
Due from other governments	3,386,123	-	3,386,123
	<u>\$ 5,003,489</u>	<u>\$ (82,700)</u>	<u>\$ 4,920,789</u>

At June 30, 2012, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer:			
User charges	\$ 197,334	\$ (6,116)	\$ 191,218
Special assessments	1,072,977	-	1,072,977
	<u>\$ 1,270,311</u>	<u>\$ (6,116)</u>	<u>\$ 1,264,195</u>

TOWN OF GRAFTON, MASSACHUSETTS
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The composition of amounts due from other governments as of June 30, 2012 for governmental funds is as follows:

General Fund:

Commonwealth of Massachusetts:

Department of Veterans Services -

Veterans benefits \$ 22,182

Department of Revenue -

Veterans, blind and surviving spouses 23,125

Commonwealth of Massachusetts:

Massachusetts School Building Authority -

School building assistance 93,643 \$ 138,950

High School Construction Project Fund:

Commonwealth of Massachusetts:

Massachusetts School Building Authority -

School building assistance 1,240,174

Nonmajor Governmental Funds:

U. S. Department of Agriculture

School lunch 10,547

U. S. Department of Education

School title grants 3,703

U. S. Department of Environmental Protection

Blackstone River grant 2,895

Commonwealth of Massachusetts:

Massachusetts Department of Elementary and

Secondary Education:

School lunch 673

Executive Office of Public Safety & Homeland Security 2,174

Massachusetts Highway Department -

Chapter 90 funded projects 1,972,116

Miscellaneous other organizations 14,891 2,006,999

\$ 3,386,123

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The balance of the general fund deferred revenues account is equal to all of June 30, 2012 receivable balances, except real estate and personal property taxes that are accrued for subsequent 60 day collections. At the end of the current fiscal year, the deferred revenue for property taxes is \$166,362.

The various components of the other deferred revenue reported in the governmental funds are as follows:

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General Fund:

Tax liens	\$	961,030		
Deferred property taxes		13,082		
Excise taxes		239,880		
Departmental		1,548		
Due from other governments		20,822	\$	1,236,362

Nonmajor Governmental Funds:

Special assessments		3,973		
Due from other governments		1,151,894		1,155,867
			\$	<u>2,392,229</u>

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 14,627,907	\$ 837,876	\$ -	\$ 15,465,783
Construction in progress	28,809,808	41,760,804	(7,765,801)	62,804,811
Total capital assets not being depreciated	43,437,715	42,598,680	(7,765,801)	78,270,594
Capital assets being depreciated:				
Buildings and Renovations	39,295,012	7,082,210	-	46,377,222
Machinery, equipment and other	5,611,801	710,730	(358,777)	5,963,754
Infrastructure	5,722,399	308,520	-	6,030,919
Total capital assets being depreciated	50,629,212	8,101,460	(358,777)	58,371,895
Less accumulated depreciation for:				
Buildings and Renovations	17,923,223	1,348,047	-	19,271,270
Machinery, equipment and other	4,475,949	362,993	(358,777)	4,480,165
Infrastructure	1,403,087	299,301	-	1,702,388
Total accumulated depreciation	23,802,259	2,010,341	(358,777)	25,453,823
Total capital assets being depreciated, net	26,826,953	6,091,119	-	32,918,072
Total governmental activities capital assets, net	\$ 70,264,668	\$ 48,689,799	\$ (7,765,801)	\$ 111,188,666

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Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 319,624	\$ 72,876	\$ -	\$ 392,500
Capital assets being depreciated:				
Machinery, equipment and other	176,728	55,820	(34,000)	198,548
Infrastructure	30,629,578	-	-	30,629,578
Total capital assets being depreciated	30,806,306	55,820	(34,000)	30,828,126
Less accumulated depreciation for:				
Machinery, equipment and other	152,076	17,810	(34,000)	135,886
Infrastructure	18,468,877	374,672	-	18,843,549
Total accumulated depreciation	18,620,953	392,482	(34,000)	18,979,435
Total capital assets being depreciated, net	12,185,353	(336,662)	-	11,848,691
Total business-type activities capital assets, net	\$ 12,504,977	\$ (263,786)	\$ -	\$ 12,241,191

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 152,941
Public safety	457,407
Public works	433,463
Education	855,713
Health and human services	6,138
Culture and recreation	104,679
Total depreciation expense - governmental activities	<u>\$ 2,010,341</u>

Business-Type Activities:

Sewer	<u>\$ 392,482</u>
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D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

Transfers Out:	Transfers In:		
	General fund	Nonmajor governmental funds	Total
General fund	\$ -	\$ 499,470	\$ 499,470
Community preservation fund	-	77,776	77,776
Nonmajor governmental funds	111,475	-	111,475
Sewer business-type fund	125,000	-	125,000
Total transfers out	<u>\$ 236,475</u>	<u>\$ 577,246</u>	<u>\$ 813,721</u>

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E. Short-Term Financing

Under the general laws of the Commonwealth and with the appropriate local authorization the Town is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

Details related to the short-term debt activity of the governmental type fund are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2011	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2012
Bond Anticipation Notes:						
New High School	2.00%	04/12/12	10,000,000	-	10,000,000	-

F. Long Term Debt

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds currently outstanding of the Town are as follows:

TOWN OF GRAFTON, MASSACHUSETTS
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	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2012
Governmental Activities:					
Inside Debt Limit:					
New Fire/Police Station	3.51%	06/01/04	06/01/14	\$ 5,746,000	\$ 1,150,000
New Fire Station	4.25%	10/15/08	06/15/19	\$ 5,500,000	3,850,000
Land Acquisition - CPA	3.73%	05/15/09	02/15/29	\$ 1,155,000	975,000
School - Modular Classrooms	2.86%	05/15/09	02/15/19	\$ 750,000	525,000
New High School	3.47%	05/01/10	02/01/30	\$ 9,100,000	8,335,000
New High School	4.24%	04/01/11	04/01/31	\$ 10,000,000	9,665,000
School Funds	3.03%	04/12/12	04/01/32	\$ 16,650,000	16,650,000
Outside Debt Limit:					
Elementary School	2.78%	10/15/02	11/01/12	\$ 4,500,000	475,000
Massachusetts Water Pollution Abatement Trust:					
Title V septic repair program	N/A	09/29/00	08/01/19	\$ 79,932	33,548
Total governmental type debt					<u>41,658,548</u>
Business-type Activities:					
Inside Debt Limit:					
Sewer Fund:					
Sewer System	4.43%	02/15/98	02/15/13	\$ 5,000,000	330,000
Sewer Loan 1998 Refunded					(330,000)
Sewer - Refunding Loan	2.24%	05/15/09	02/15/13	\$ 1,345,000	325,000
Sewer	4.24%	04/01/11	04/01/31	\$ 510,000	495,000
Total business type debt					<u>820,000</u>
Total Long Term Debt					<u>\$ 42,478,548</u>

Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2012, are as follows:

Governmental	Principal	Interest	Total
2013	\$ 3,024,241	\$ 1,579,274	\$ 4,603,515
2014	2,579,241	1,492,022	4,071,263
2015	2,039,241	1,401,570	3,440,811
2016	2,079,165	1,331,894	3,411,059
2017	2,134,165	1,253,665	3,387,830
2018-2022	9,677,495	5,012,139	14,689,634
2023-2027	10,190,000	3,087,313	13,277,313
2028-2032	9,935,000	1,076,256	11,011,256
	<u>\$ 41,658,548</u>	<u>\$ 16,234,133</u>	<u>\$ 57,892,681</u>

TOWN OF GRAFTON, MASSACHUSETTS
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Business-Type Activities

Year	Principal	Interest	Total
2013	\$ 340,000	\$ 31,287	\$ 371,287
2014	20,000	21,087	41,087
2015	20,000	20,287	40,287
2016	20,000	19,488	39,488
2017	20,000	18,688	38,688
2018-2022	115,000	79,488	194,488
2023-2027	145,000	50,413	195,413
2028-2031	140,000	16,100	156,100
	<u>\$ 820,000</u>	<u>\$ 256,838</u>	<u>\$ 1,076,838</u>

A summary of the changes in governmental activities long term debt during the year is as follows:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due within One Year
Governmental activities:					
<i>Bond Payable:</i>					
General obligation bonds	\$ 27,420,000	\$ 16,650,000	\$ 2,445,000	\$ 41,625,000	\$ 3,020,000
Massachusetts Water Pollution Abatement Trust bonds	37,789	-	4,241	33,548	4,241
<i>OPEB obligation payable</i>	7,557,788	2,299,619	-	9,857,407	-
<i>Compensated absences</i>	8,372,116	48,460	49,550	8,371,026	1,674,205
Governmental activity Long-term liabilities	<u>\$ 43,387,693</u>	<u>\$ 18,998,079</u>	<u>\$ 2,498,791</u>	<u>\$ 59,886,981</u>	<u>\$ 4,698,446</u>
Business type activities:					
<i>Bond Payable:</i>					
General obligation bonds	\$ 1,165,000	\$ -	\$ 345,000	\$ 820,000	\$ 340,000
<i>OPEB obligation payable</i>	118,946	39,109	-	158,055	-
<i>Compensated absences</i>	131,826	-	12,610	119,216	23,843
Business-type activity Long-term liabilities	<u>\$ 1,415,772</u>	<u>\$ 39,109</u>	<u>\$ 357,610</u>	<u>\$ 1,097,271</u>	<u>\$ 363,843</u>

Advance Refunding

On May 15, 2009, the Town issued \$1,345,000 of sewer obligation refunding bonds with an average interest rate of 2.24 percent to advance refund \$1,320,000 of outstanding bonds with an average interest rate of 4.43 percent. The net amount of \$1,363,560 was paid to provide resources for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the enterprise fund debt. The advance refunding resulted in a net economic gain of \$38,278.

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Massachusetts Water Pollution Abatement Trust (MWPAT)

The Town is subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$79,932 and interest costs of \$38,712 which the Town has borrowed from MWPAT. The gross amount outstanding at June 30, 2012 for principal and interest combined for the loans is \$43,032 with subsidies amounting to \$7,484. The net repayments, including interest, are scheduled to be \$33,548. Since the Town is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements. The fiscal year 2012 principal and interest subsidies totaled \$1,980.

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town has \$41,970,000 in inside debt at June 30, 2012.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a computation of the legal debt limit as of June 30, 2012

Equalized Valuation-Real Estate and Personal Property (2010)		\$ 2,367,360,800
Debt Limit: 5 % of Equalized value		<u>\$ 118,368,040</u>
Total Debt Outstanding	\$ 42,478,548	
Less: Debt Outside Debt Limit	<u>(508,548)</u>	<u>41,970,000</u>
Inside Debt Excess Borrowing Capacity at June 30, 2012		<u><u>\$ 76,398,040</u></u>

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt.

Loan authorizations that have not been issued as of June 30, 2012 and are not reflected in the Town's financial statements are as follows:

**TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

Date of Town Meeting Authorized	Purpose	Amount
10/21/02	Construction of a new fire station and fire headquarters	\$ 857
05/11/09	Repair, replacement and upgrade of septic systems	200,000
10/19/09	Construction or reconstruction of sewers, sewer systems and sewage treatment and disposal facilities on North Street	140,000
02/06/10	Constructing, equipping and furnishing a new high school school	28,660,380
		<u>\$ 29,001,237</u>

G. Fund Balances

The following is a summary of the Governmental Fund fund balances of the Town at the year ended June 30, 2012:

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

	General Fund	Community Preservation Fund	High School Construction Fund	Nonmajor Governmental Fund	Total Governmental Funds
Nonspendable:					
Permanent funds	\$ -	\$ -	\$ -	\$ 656,844	\$ 656,844
Restricted:					
Federal and state grants	-	-	-	206,027	206,027
School federal and state grants	-	-	-	450,695	450,695
School revolving funds	-	-	-	668,995	668,995
Town revolving funds	-	-	-	524,664	524,664
Insurance	-	-	-	239,830	239,830
Donations and gifts	-	-	-	1,009,240	1,009,240
Community preservation fund	-	667,966	-	-	667,966
Debt service	1,192,673	-	-	-	1,192,673
Capital projects	-	-	5,752,450	433,839	6,186,289
Permanent funds	-	-	-	434,208	434,208
Other	-	-	-	583,168	583,168
	<u>1,192,673</u>	<u>667,966</u>	<u>5,752,450</u>	<u>4,550,666</u>	<u>12,163,755</u>
Committed:					
Town meeting articles	2,492,863	-	-	-	2,492,863
	<u>2,492,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,492,863</u>
Assigned:					
General government	40,036	-	-	-	40,036
Public safety	17,861	-	-	-	17,861
Public works	60,000	-	-	-	60,000
Education	386,926	-	-	-	386,926
Culture and recreation	13,018	-	-	-	13,018
Fiscal year 2013 budget	955,683	-	-	-	955,683
	<u>1,473,524</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,473,524</u>
Unassigned:					
General Fund	<u>6,980,818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,980,818</u>
Total Governmental Fund Balances	<u>\$ 12,139,878</u>	<u>\$ 667,966</u>	<u>\$ 5,752,450</u>	<u>\$ 5,207,510</u>	<u>\$ 23,767,804</u>

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

H. Special Trust Funds

Stabilization Fund

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a Town meeting for any lawful purpose.

At June 30, 2012 the balances in the general stabilization fund, the capital stabilization and the Blackstone stabilization fund are \$3,198,344, \$388,155 and \$322, respectively and are reported in the General Fund as unassigned fund balance.

4. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Litigation

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2012.

Federal Financial Assistance

The Town receives significant financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit procedures prescribed under the Single Audit Act Amendments of 1996. Any disallowed expenditures resulting from such audits become a liability of the Town.

The outcome of lawsuits and any findings with respect to disallowed expenditures is not expected to materially affect the financial condition of the Town.

C. Other Post Employment Benefits Payable

GASB Statement No. 45

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town adopted the requirements of GASB

**TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

Statement No. 45 during the year ended June 30, 2009, and thus recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

Plan Description

- The Town provides the following plan types, PPO Preferred Care, Select Care, Direct Care, Companion Care, Premier HMO, and Premier Preferred PPO.
- Grafton retirees are eligible for a \$2,000 life insurance benefit offered by the Town, provided the retiree makes the required contribution. Each employee pays \$1.13/month out of the \$2.26/month premium.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2012 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$1,043,724.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

Normal Cost	\$ 2,007,638
Amortization of unfunded actuarial accrued liability	<u>1,369,924</u>
Annual required contribution	3,377,562
Interest on net OPEB obligation	326,261
Adjustment to annual required contribution	<u>(321,371)</u>
Annual OPEB cost (expense)	3,382,452
Contributions made during the fiscal year	<u>1,043,724</u>
Increase in net OPEB obligation	2,338,728
Net OPEB Obligation - beginning of year	<u>7,676,734</u>
Net OPEB Obligation - end of year	<u><u>\$ 10,015,462</u></u>

The above figures consists of the governmental activities portion of \$9,857,407 and the business-type activities portion of \$158,055.

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2012 fiscal year and the two preceding years are as follows:

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/10	\$ 3,821,056	27.45%	\$ 5,409,904
06/30/11	\$ 3,166,967	28.42%	\$ 7,676,734
06/30/12	\$ 3,382,452	30.86%	\$10,015,462

Funded Status and Funding Process

As of January 1, 2011, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$30,345,662, and the actuarial value of assets was 0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$30,345,662. The covered payroll (annual payroll of active employees covered by the plan) was \$23,701,000, and the ratio of the UAAL to the covered payroll was 128.0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Schedule of Funding Progress
(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/09	\$ -	\$ 32,393	\$ 32,393	0%	\$ 22,122	140.1%
06/30/11	\$ -	\$ 30,345	\$ 30,345	0%	\$ 23,701	128.0%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Town OPEB actuarial valuation as of January 1, 2011, used the projected unit credit actuarial cost method. The OPEB liability is currently unfunded and the actuarial assumptions include a 4.25 percent rate of return on invested assets. The actuarial assumptions include healthcare trend rates as follows:

**TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

Year	Commercial Managed Care	Medicare Indemnity	Medicare Managed Care
FY 2011	9.7%	-22.7%	0.0%
FY 2012	9.0%	9.0%	8.0%
FY 2013	8.5%	8.5%	7.5%
FY 2014	8.0%	8.0%	7.0%
FY 2015	7.5%	7.5%	6.5%
FY 2016	7.0%	7.0%	6.0%
FY 2017	6.5%	6.5%	5.5%
FY 2018	6.0%	6.0%	5.0%
FY 2019	5.5%	6.0%	5.0%
FY 2020	5.0%	6.0%	5.0%

The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amount open basis. The remaining amortization period at June 30, 2012 is 28 years.

Trust Fund

The Town has established a trust fund in order to contribute funds to reduce the future OPEB liability in fiscal year 2011.

D. Pension Plan

Plan Description

The Town, as a member of the Worcester Regional Retirement System (the System), participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Worcester Regional Retirement Board. Each participating employers' share of the total annual contribution is determined on the basis of active payroll. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of Commonwealth of Massachusetts Teachers' Retirement System to which the Town does not contribute. Pension benefits and administrative expenses are paid by the Teachers' Retirement Board and are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$3,470,412 for the fiscal year ending June 30, 2012, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Worcester Regional Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 2 Main Street Street, Worcester, Massachusetts.

Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current

**TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

payroll. Administrative expenses are funded through investment earnings. Chapter 32B of the Massachusetts general laws governs the contributions of plan members and the Town.

The Town's contribution to the System for the fiscal years ended June 30, 2012, 2011 and 2010 is shown below, which equaled its required contribution for each fiscal year.

Year Ended June 30	Town's Contribution
2012	\$ 1,055,108
2011	\$ 1,073,815
2010	\$ 1,046,505

The last actuarial valuation was prepared by Ricci Consultants, Incorporated as of January 1, 2010. The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.0% compounded annually, (b) projected salary, including longevity, increases of 3.0% per year per member.

The total unfunded actuarial liability applicable to the entire System's employees at January 1, 2010 is as follows:

Actuarial Accrued Liability	\$ 863,002,067
Assets	413,976,785
Unfunded Actuarial Liability	<u>\$ 449,025,282</u>

The Town's portion of such liability is approximately 3.25% or \$14,593,322.

Chapter 697 of the Acts of 1987, which was enacted on January 12, 1988, provides for the funding of the Commonwealth's current unfunded pension liability over a period not greater than forty years. In addition, Chapter 697 contained significant financial incentives for local governmental units to establish its own state-approved funding schedule to eliminate its unfunded actuarial liability by June 30, 2028. The Town has accepted the provisions of Chapter 32, Section 22 (6A) (b), at the Special Town Meeting on June 20, 1990 to become a funding unit.

SUPPLEMENTARY SCHEDULES

TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Fund Balances July 1, 2011	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2012
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 129,411	\$ 1,402,239	\$ 1,414,085	\$ -	\$ 117,565
Arts Lottery Council Grants	4,025	4,582	4,870	-	3,737
Council on Aging Grants	15,037	18,013	5,722	-	27,328
Energy Grants	1,650	138,450	139,350	-	750
Extended Polling Hours	27	1,387	1,387	-	27
Health Grants	73,685	25,271	51,267	(72)	47,617
Highway Grants	-	848,703	848,703	-	-
Library Grants	111,034	16,072	9,067	-	118,039
Planning Grants	163,021	731,862	882,218	(9,120)	3,545
Public Safety Grants	19,162	53,186	63,203	(4,162)	4,983
Recycling Grants	6,181	-	-	(6,181)	-
Tufts Biomedical Science Park Infrastructure Grants	-	93,000	93,000	-	-
Schools:					
School Lunch Revolving	68,545	753,357	766,507	-	55,395
School Lunch Commodities	-	57,120	57,120	-	-
Privately Funded Grants	3,308	300	2,058	-	1,550
School Revolving Accounts	707,260	416,675	503,977	(6,358)	613,600
State Special Education Reimbursement Fund	196,990	334,752	200,162	-	331,580
Other:					
Animal Damage Reserve Fees	13,926	2,112	-	-	16,038
Clean Energy Choice Grant	1,619	-	-	-	1,619
Commission on Disability Parking Fines	300	100	-	-	400
Conservation Fees	179,296	15,567	16,241	-	178,622
Council on Aging Revolving for Transportation	40,912	19,746	32,838	6,000	33,820
Department of Public Works Road Projects	37,300	-	-	-	37,300
Fire Detail	8,820	8,128	7,488	-	9,460
Gifts and Donations	1,039,648	671,828	654,742	(47,494)	1,009,240
Health Department Revolving	15,952	11,756	8,670	-	19,038
Home Composting Bins Revolving	3,390	280	-	-	3,670
Insurance Recovery	263,620	34,438	51,371	(6,857)	239,830
Law Enforcement Fund	11,090	569	4,402	-	7,257
Library Grafton Education Association Grant	3,883	250	250	-	3,883
Municipal Waterways Revolving Funds	6,509	1,675	-	-	8,184
Total Special Revenue Page 51	\$ 3,125,601	\$ 5,661,418	\$ 5,818,698	\$ (74,244)	\$ 2,894,077

TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Fund Balances July 1, 2011	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2012
Continued from Page 51					
Other (Continued):					
Old Town Hall and Municipal Center Use Revolving	\$ 3,125,601	\$ 5,661,418	\$ 5,818,698	\$ (74,244)	\$ 2,894,077
Planning Board Revolving	42,951	36,839	63,633	-	16,157
Police Outside Detail	122,519	59,097	113,335	-	68,281
Recreation Revolving	-	268,672	268,672	-	-
Road Opening Fees	60,428	321,617	270,632	(25,138)	86,275
Sale of Cemetery Lots	6,093	-	-	(6,093)	-
Septic Repair Betterment Repayments	79,220	5,425	-	-	84,645
Treasurer Tax Title Fees	50,803	3,759	6,221	-	48,341
Affordable Housing Fund	-	5,310	5,235	-	75
Conservation Fund	279,874	5,348	4,574	77,776	358,424
Unemployment Compensation Fund	21,503	311	-	-	21,814
	21,521	1,565	142,026	223,470	104,530
Total Special Revenue Funds	3,810,513	6,369,361	6,693,026	195,771	3,682,619
Capital Projects:					
School Projects:					
Elementary School Construction	13,515	-	-	-	13,515
High and Middle School Renovations	2,837	-	-	-	2,837
Middle School Renovations	34	-	-	-	34
Modular Classrooms	57,947	-	-	-	57,947
Perreault Land Acquisition	550,000	-	820,000	270,000	-
Fire Station	359,506	-	-	-	359,506
Total Capital Projects	983,839	-	820,000	270,000	433,839
Perpetual Permanent Funds:					
Ann Cochiola Fund	5,040	-	-	-	5,040
Campbell Fund	1,815	-	-	-	1,815
Cemetery Perpetual Care Fund	549,729	16,275	-	-	566,004
Library Fund	71,985	-	-	-	71,985
Palmer Gift - Pine Grove Fund	1,000	-	-	-	1,000
Whitin Gate and Bell Fund	11,000	-	-	-	11,000
Total Perpetual Permanent Funds	640,569	16,275	-	-	656,844

TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Fund Balances July 1, 2011	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2012
Permanent Funds:					
Ann Cochiola Fund	\$ 4,507	\$ 137	\$ -	\$ -	4,644
Campbell Fund	1,920	54	-	-	1,974
Cemetery Perpetual Care Fund	166,233	13,581	-	-	179,814
Library Fund	209,266	4,066	-	-	213,332
Palmer Gift - Pine Grove Fund	6,925	115	-	-	7,040
Whitin Gate and Bell Fund	26,857	547	-	-	27,404
Total Permanent Funds	415,708	18,500	-	-	434,208
Total Non-Major Governmental Funds	\$ 5,850,629	\$ 6,404,136	\$ 7,513,026	\$ 465,771	\$ 5,207,510

TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY AND ROLLBACK TAXES AND
DEFERRED PROPERTY TAXES AND COMMUNITY PRESERVATION SURCHARGE
JULY 1, 2011 TO JUNE 30, 2012

	Uncollected Taxes July 1, 2011	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2012	Uncollected Taxes Per Detail June 30, 2012
Real Estate Taxes:						
Levy of 2012	\$ -	\$ 29,260,826	\$ 385,519	\$ 28,646,872	\$ 228,435	\$ 228,435
Levy of 2011	397,622	26,414	205,687	217,511	838	838
Levy of 2010	52,394	-	36,514	17,504	(1,624)	(1,629)
Levy of 2009	(1,527)	-	(1,834)	50	257	280
Levy of 2008	2,258	-	553	207	1,498	1,498
Prior Years	26,187	-	2,652	-	23,535	23,521
	476,934	29,287,240	629,091	28,882,144	252,939	252,943

Personal Property Taxes:

Levy of 2012	-	763,629	34,623	725,489	3,517	3,517
Levy of 2011	4,557	-	-	(3,785)	8,342	8,342
Levy of 2010	8,648	-	-	153	8,495	8,495
Levy of 2009	9,433	-	-	1	9,432	9,432
Levy of 2008	2,489	-	-	-	2,489	2,489
Prior Years	24,829	-	14,578	(109)	10,360	10,360
	49,956	763,629	49,201	721,749	42,635	42,635

Rollback Taxes

	-	3,285	-	3,285	-	-
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**Total Real Estate, Personal
Property and Rollback Taxes**

\$	526,890	\$ 30,054,154	\$ 678,292	\$ 29,607,178	\$ 295,574	\$ 295,578
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Deferred Property Taxes

\$	18,437	\$ -	\$ -	\$ 5,355	\$ 13,082	\$ 13,082
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Community Preservation Surcharge:

Levy of 2012	\$ -	\$ 303,961	\$ 4,181	\$ 300,406	\$ (626)	\$ (626)
Levy of 2011	2,500	382	1,867	906	109	109
Levy of 2010	(2,991)	-	(2,691)	255	(555)	(555)
Levy of 2009	172	-	146	-	26	26
Levy of 2008	(46)	-	4	-	(50)	(50)
Prior Years	78	-	20	-	58	58

Total Community Preservation Surcharge

\$	(287)	\$ 304,343	\$ 3,527	\$ 301,567	\$ (1,038)	\$ (1,038)
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TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE AND BOAT EXCISE TAXES
JULY 1, 2011 TO JUNE 30, 2012

	Uncollected Taxes July 1, 2011	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2012	Uncollected Taxes Per Detail June 30, 2012
Motor Vehicle Excise Taxes:						
Levy of 2012	\$ -	\$ 1,959,894	\$ 37,744	\$ 1,780,506	\$ 141,644	\$ 141,644
Levy of 2011	139,036	208,635	17,128	299,932	30,611	30,635
Levy of 2010	31,886	343	501	15,239	16,489	16,548
Levy of 2009	20,804	25	268	5,613	14,948	15,009
Levy of 2008	18,850	-	-	1,979	16,871	16,886
Prior Years	91,021	-	-	2,574	88,447	88,447
Total Motor Vehicle Excise Taxes	301,597	2,168,897	55,641	2,105,843	309,010	309,169
Boat Excise Taxes:						
Levy of 2012	-	3,410	231	2,450	729	729
Levy of 2011	516	-	58	155	303	303
Levy of 2010	134	-	-	25	109	250
Levy of 2009	429	-	-	-	429	429
Total Boat Excise Taxes:	1,079	3,410	289	2,630	1,570	1,711
Total Motor Vehicle and Boat Excise Taxes	\$ 302,676	\$ 2,172,307	\$ 55,930	\$ 2,108,473	\$ 310,580	\$ 310,880

TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2011 TO JUNE 30, 2012

	Uncollected Accounts July 1, 2011	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2012	Uncollected Accounts Per Detail June 30, 2012
General Fund: Tax Liens	\$ 536,303	\$ 528,372	\$ -	\$ 103,645	\$ 961,030	\$ 963,338
Community Preservation Surcharge: Tax Liens	\$ 4,113	\$ 4,677	\$ -	\$ 964	\$ 7,826	\$ 7,826